

Message Text

PAGE 01 STATE 221640
ORIGIN EB-08

INFO OCT-01 EA-10 ISO-00 EUR-12 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 SS-15
NSCE-00 SSO-00 INRE-00 XMB-02 /063 R

DRAFTED BY EB/OA/AVP:GGRIFITHS:SP
APPROVED BY EB/OA:MHSTYLES
EA/TIMBS:TLROBINSON
EA/TIMBS:DPSULLIVAN
EB/OA/TA:TO'HERRON (INFO)

-----047556 311726Z /44

O 311650Z AUG 78
FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA IMMEDIATE

LIMITED OFFICIAL USE STATE 221640

E.O. 11652: N/A

TAGS: EAIR, ID

SUBJECT: CIVAIR: LOCKHEED/TRANSALL COMPETITION

1. SUMMARY: LOCKHEED REPS SIMMONS AND HARRISON, ACCOMPANIED BY FINANCING OFFICER JESS PHILLIPS, VISITED DEPARTMENT AUGUST 30 TO BRIEF US ON LATEST DEVELOPMENTS IN L 100-30 - TRANSALL COMPETITION. FRENCH APPARENTLY HAVE MADE LAST-MINUTE, HIGHLY SUSPECT OFFER IN EFFORT TO KEEP ALIVE TRANSALL'S CHANCES, AND HAVE REPORTEDLY MET WITH SOME SUCCESS. IMPENDING VISIT OF FRENCH FOREIGN MINISTER MAY GIVE FURTHER IMPETUS TO TRANSALL'S CHANCES. FINANCING CONTINUES TO BE A KEY ELEMENT OF COMPETITION WITH FRENCH TERMS AS YET UNKNOWN. END SUMMARY.

2. LOCKHEED CONSULTANT IN JAKARTA RECEIVED LETTER OF LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 02 STATE 221640

INTENT DATED AUGUST 29 FROM DGCA ON BEHALF OF GOI. TEXT OF LETTER OF INTENT FOLLOWS:

QUOTE THIS IS TO INFORM YOU THAT THE GOVERNMENT OF INDONESIA INTENDS TO PURCHASE: THREE LOCKHEED L-100-30 COMMERCIAL HERCULES.

PROPOSAL REGARDING SPECIFICATIONS, PRICE, DELIVERY TERMS AND CONDITIONS FOR THE ABOVE PURCHASE IS REQUESTED AT AN EARLY DATE.

THE DIRECTOR GENERAL OF AIR COMMUNICATION

S.B. KARDONO

AIR VICE MARSHALL UNQUOTE

LOCKHEED CONSULTANT RECOMMENDED THAT LOCKHEED QUOTE FOR DELIVERY OF 2 DASH-30 IN DECEMBER, 1978, AND ONE FOR DELIVERY IN JUNE, 1979. LOCKHEED UNDERSTANDING IS THAT TRANSMIGRATION PROGRAM WILL EVENTUALLY REQUIRE AT LEAST 20 PLANES, AND THAT THIS IS OPENING ROUND OF PURCHASES.

3. HOWEVER, FRENCH APPARENTLY WEIGHING IN AT LAST MINUTE WITH OFFER TO GOI WHICH SEEMS HIGHLY SUSPECT. FRENCH ALLEGEDLY OFFERING PACKAGE TO GOI FOR PURCHASE OF TRANSALL IN WHICH FIRST ELEMENT WOULD BE OFFER OF SIX USED HERCULES L 100 DASH 20'S FOR 4.2 MILLION DOLLARS A PIECE. DELIVERY TIMES OR OTHER DETAILS CONCERNING THESE SIX DASH 20'S ARE AS YET UNSPECIFIED. REMAINDER OF GOI NEEDS FOR TRANSMIGRATION PROGRAM WOULD BE MET BY PURCHASES OF TRANSALLS. SINCE PRICE OF 4.2 MILLION DOLLARS IS ATTRACTIVE, GOI AUTHORITIES HAVE TO EVALUATE THIS NEW FRENCH OFFER.
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 03 STATE 221640

LOCKHEED ALSO HAS UNCONFIRMED REPORT THAT MINISTRY OF COMMUNICATIONS HAS NOW RECEIVED APPROVAL TO PURCHASE 3 DASH -30'S AND 3 TRANSALLS.

4. LOCKHEED ALSO UNDERSTANDS THAT FRENCH FOREIGN MINISTER WILL VISIT JAKARTA "NEXT WEEK" (PRESUMABLY WEEK BEGINNING SEPTEMBER 4). REPORTEDLY HE WILL BE ACCOMPANIED BY QUOTE 10 TOP BANKERS UNQUOTE. LOCKHEED UNDERSTANDABLY CONCERNED ABOUT THIS VISIT AND RAMIFICATIONS IT MAY HAVE FOR TRANSALL/LOCKHEED COMPETITION. LOCKHEED STILL HAS NO HARD INFORMATION ON WHAT FINANCING TERMS FRENCH ARE OFFERING.

5. LOCKHEED REPS MADE FOLLOWING POINTS ABOUT FRENCH

OFFER TO SELL SIX DASH 20'S FOR 4.2 MILLION DOLLARS:

1) LOCKHEED, WHICH FOLLOWS SUCH THINGS CLOSELY, KNOWS OF ONLY 3 DASH 20'S WHICH CURRENTLY ARE FOR SALE, AND THOSE ARE ALL FOR SALE AT PRICES GREATER THAN 4.2 MILLION DOLLARS;

2) THESE THREE AIRCRAFT ARE OLD AND HAVE BEEN USED HARD, IN ONE CASE IN SUPPORT OPERATIONS ON ALASKA'S NORTH SLOPE;

3) SUCH USED DASH -20'S WOULD HAVE TO BE EXTENSIVELY MODIFIED BEFORE THEY COULD BE USED FOR THE TRANSMIGRATION

PROJECT.

AS A RESULT OF THESE CONSIDERATIONS, LOCKHEED BELIEVES THE FRENCH OFFER IS HIGHLY SUSPECT, AND MAY IN FACT REPRESENT BAIT AND SWITCH TACTICS. EVEN IF THE FRENCH CAN PRODUCE THE AS YET UNSPECIFIED DASH 20'S, IT IS VERY UNLIKELY THEY WOULD BE ABLE TO DELIVER THEM BEFORE THE NEW LOCKHEED DASH - 30'S, AND IN FACT, WOULD PROBABLY BE DELIVERED WELL BEHIND LOCKHEED'S DELIVERY TIMES. LOCKHEED REPS STATED THAT ONE WAY TO NAIL DOWN SUBSTANCE OF FRENCH LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 04 STATE 221640

OFFER WOULD BE TO HAVE THE FRENCH SUPPLY THE SERIAL NUMBERS OF THE SIX DASH 20'S THEY REPORTEDLY HAVE FOR SALE TO GOI.

6. IN SHORT, LOCKHEED BELIEVES IT HAS DEMONSTRATED TO THE SATISFACTION OF THE GOI, AND IN PARTICULAR, THE DGCA, THAT THE DASH-30 IS SUPERIOR TO THE TRANSALL IN TERMS OF PRICE, PERFORMANCE, AND DELIVERY TIMES. (NOTE: THE TRANSALL IS NOT NOW IN PRODUCTION. LOCKHEED ESTIMATES THE EARLIEST A NEW TRANSALL COULD BE DELIVERED TO INDONESIA WOULD BE SOMETIME IN 1981.) ONLY SIGNIFICANT COMMERCIAL CONSIDERATION REMAINING IS FINANCING, AND WE DO NOT YET KNOW FRENCH TERMS.

EXIM INFORMS DEPARTMENT THAT FOLLOWING ARE GENERALLY ACCEPTED LIMITS OF GOVERNMENT-SUPPORTED FINANCING FOR SUCH DEALS:

- A) INTEREST RATE SHOULD BE NO LOWER THAN 7.5 PERCENT;
- B) TERM OF FINANCING SHOULD BE NO LONGER THAN 10 YEARS;
- C) FINANCING SHOULD COVER NO MORE THAN 85 PERCENT OF COSTS OF CONTRACT.

IF GOF OFFERING TERMS BETTER THAN THESE, IT WOULD BE A MATTER OF SERIOUS CONCERN TO THE USG.

7. LOCKHEED INDICATED IT HAS CONTRACT NEGOTIATING TEAM READY TO GO TO INDONESIA ON MOMENTS NOTICE, AND IS MERELY AWAITING THE APPROPRIATE SUMMONS FROM GOI. LOCKHEED STILL DISCUSSING PROJECT WITH EXIM BANK PURSUANT TO OBTAINING EXIM FINANCING.
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 05 STATE 221640

8. FRENCH SEEM AT LEAST TEMPORARILY, TO HAVE MUDDIED THE

WATERS SUCCESSFULLY AND TO HAVE BREATHED SOME LIFE INTO THE TRANSALL'S CHANCES. HOWEVER, OFFER OF SIX DASH -20'S DOES NOT SEEM A CREDIBLE OFFER, FOR REASONS OUTLINED PARA 5.

9. ACTION REQUESTED: ACCORDINGLY, WE HOPE TO BE ABLE TO ASSIST LOCKHEED IN TURNING ASIDE THIS LAST-MINUTE FRENCH OFFER. EMBASSY REQUESTED CONFIRM LOCKHEED ACCOUNT OF FRENCH OFFER. IF FACTS ARE AS LOCKHEED ALLEGES, EMBASSY SHOULD POINT OUT TO APPROPRIATE GOI OFFICIALS ARGUMENTS OF PARA 5 CONCERNING USED AIRCRAFT. EMBASSY SHOULD ALSO SUGGEST THAT GOI REQUEST SERIAL NUMBERS OF SIX AIRCRAFT IN QUESTION AS WAY OF VERIFYING THAT THERE ARE 6 AIRCRAFT AVAILABLE. POINT TO EMPHASIZE IS THAT FRENCH ARE MAKING LAST-MINUTE OFFER OF SIX USED AIRCRAFT OF UNKNOWN ORIGIN WHICH WILL HAVE TO BE EXTENSIVELY MODIFIED. BEYOND THOSE FACTORS, THERE IS SOME REASON TO DOUBT THAT THE FRENCH ACTUALLY HAVE SIX SUCH AIRCRAFT AVAILABLE.

EMBASSY ALSO REQUESTED CONFIRM LOCKHEED REPORT OF IMPENDING FRENCH FOREIGN MINISTER VISIT, WITH ACCOMPANYING BANKERS. IS VISIT FORTUITOUS EVENT FROM TRANSALL POINT OF VIEW, OR IS THERE A DIRECT CONNECTION?

EMBASSY SHOULD ALSO MAKE EVERY EFFORT TO OBTAIN DETAILS OF FRENCH FINANCING PROPOSALS, SINCE FINANCING COULD BE HINGE UPON WHICH WHOLE DEAL TURNS.

10. COMMENT: (PROTECT) EMBASSY SHOULD OF COURSE USE ITS BEST JUDGMENT AS TO WHAT GOI OFFICIALS TO CONTACT AND HOW TO PHRASE COMMENTS WHICH SUPPORT LOCKHEED AND CAST INTO QUESTION THE FRENCH OFFER. HOWEVER, LOCKHEED HAS INDICATED TO DEPARTMENT THAT IN ITS OPINION, FOLLOWING 2 OFFICIALS ARE PRO-TRANSALL:
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 06 STATE 221640

DR. HABABIE - MINISTER OF RESEARCH AND TECHNOLOGY.
ACCORDING TO LOCKHEED,

DR. HABBIBIE IS A FORMER VP OF MESSERSCHMITT, WHICH IS A MEMBER OF THE EUROPEAN CONSORTIUM PRODUCING THE TRANSALL.

MR. KARNO BARKAH -- STAFF SECRETARY AT DGCA. CHRISTOPHER

LIMITED OFFICIAL USE

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 26 sep 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SALES, COMMERCIAL AIRCRAFT
Control Number: n/a
Copy: SINGLE
Draft Date: 31 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE221640
Document Source: ADS
Document Unique ID: 00
Drafter: EB/OA/AVP:GGRIFFITHS:SP
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Expiration:
Film Number: D780356-0345
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197808122/baaaezqp.tel
Line Count: 212
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: f9d5f759-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1589094
Secure: OPEN
Status: NATIVE
Subject: CIVAIR: LOCKHEED/TRANSALL COMPETITION
TAGS: EFIN, EAIR, ID, LOCKHEED
To: JAKARTA
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/f9d5f759-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014